

Operations Review and Analysis



本公司常務副董事長、總經理—鄒愛兵先生
Mr. Nuo Aibing — Standing Deputy Managing Director and General Manager of the Company

TURNOVER

For the year ended 31 December 2000 (the "Year"), turnover of the Chengdu PTIC Telecommunications Cable Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") amounted to RMB524,511,000, representing an increase of 55.7% from RMB336,851,000 for the year ended 31 December 1999.

Loss Attributable to Shareholders During the Year

The Group's loss attributable to shareholders for the Year was RMB78,149,000. Loss attributable to shareholders for the year ended 31 December 1999 was RMB101,066,000.

ANALYSIS OF THE RESULTS

Major Reasons for the Increase in Turnover

The turnover for the Year increased significantly as compared with the year ended 31 December 1999. The significant improvement in efficiency was mainly attributable to the following factors:

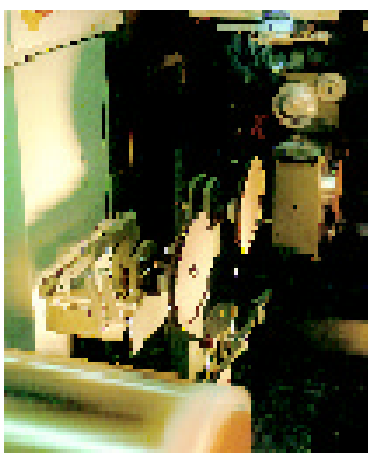
1. After the State's strengthened development in western China and the gradual completion of China telecommunications system reform and corporate reorganisation, there was a dramatic increase in and acceleration of the investment in fixed assets of posts and telecommunications and a stronger demand in telecommunications cable market;
2. The Group strengthened sales efforts and consolidated new sales network. The morale of the sales team was boosted; and
3. The Group expedited the disposal and reorganisation and enhanced the management of joint venture companies. As a result, the return on investment increased significantly, making positive and significant effects on the Group's growth in turnover and efficiency.

Major Reasons for the Continuous Loss Attributable to Shareholders

The profit did not increase in line with the turnover because of the Group's drastic product price drop in response to the fierce competition in the industry. Rise in prices of raw materials also increased production cost. The continued high operating and administrative expenses, written off of stocks and bad debts also adversely affected the growth in the Group's profit. Although the Group achieved its target of profit from operation for this Year, the Group still incurred a loss attributable to shareholders as a result of the above factors.

REVIEW OF MAIN BUSINESSES

During the Year, facing opportunities and challenges, the board of directors of the Company (the "Board of Directors") and the operating management further reinforced the concept of reform and development. The Company had endeavoured to reform, strengthen management, standardise operation, expand market and reduce costs. In addition, various measures were taken to increase productivity, sales and efficiency, and to achieve the Company's target of turning loss to profits. The main business activities are summarised as follows:



1. To grasp at the opportunity given by the growth in demand in the telecommunications market after the China telecommunications system reform and corporate reorganisation, the Company actively carried out market research, adjusted the sales strategy, strengthened and refined the sales team, motivated the sales staff, further expanded the market share and improved the sales networks. As a result, the Group's cable and optical fibre products obtained favourable evaluation from customers during the designated cable suppliers selection meeting in 2000 attended by major national postage and telecommunications customers of the State. The Group was again short-listed in the list of designated producers.
2. In order to strengthen the corporate management, upon the re-election of the Board of Directors, the Company carried out comprehensive amendments to its original corporate management procedures and systems. This laid a good foundation for the Company to further standardise the operation procedures, strengthen and improve corporate management and raise the standard of scientific management in the future.

3. During the Year, the Company's ISO9002 Quality Assurance System passed the review of Beijing 9000 Quality assurance System Certification Centre and obtained the certificate and registration. At the same time, the Company also passed the second review of various customers including Beijing Siemens, Beijing and Nanjing Ericsson, Huawei, Zhonging and Fujitsu etc.. During the Year, the Company achieved good results in product development. Eight products including A1 cables, C5 cables, No. 5 cables, nylon insulating program control telecommunications cables, small diameter high frequency digital transmission telecommunications cables and mobile station antenna telecommunications cable EXT026 had passed the review at corporate level. Certain products were put into production and revenue was generated therefrom. These new products will make further contribution to the Company's profits in the future.



4. The progress of the expansion or technological renovation project with a total investment of RMB14,000,000 as approved by the Board of Directors in respect of production lines of telephone exchange system cables, No. 5 cables, television cables and optical fibre lines was satisfactory. Part of the project was completed and revenue was generated. The remaining project will be completed before June this year as planned.
5. During the Year, pursuant to the adjustment in its strategy, Siemens Aktiengesellschaft of Germany has transferred all its 50% equity interests in Siemens Optical Fibre Cables Ltd, Chengdu to Corning International Corporation of the U.S.A. As a result, the Company has developed a working relationship with Corning International Corporation. Subsequent to the transfer of equity interests, the company name of Siemens Optical Fibre Cables Ltd., Chengdu was changed to Chengdu CCS Optical Fiber Cable Co., Ltd. That company recorded a growth in profit while maintaining the quality of products and a steady increase in production volume.
6. During the Year, Chengdu SEI Optical Fiber Co. Ltd., a 75% owned subsidiary of the Company, achieved a significant enhancement in product quality and production volume and reduction in materials consumption by improving its skills and technology. The production operations were satisfactory. The production volume of optical fibres nearly reached the designated production capacity and created economic benefits. As a result, the subsidiary turned around from a loss position to profitable operation.

7. Following the approval of its quality assurance system last year and the recognition by specialists organised by the Ministry of Information Industry and commencement of production of RF telecommunications cables, Chengdu MCIL Radio Communications Cable Co. Ltd., a 70% owned subsidiary of the Company, successfully introduced its products into the market and the products were well-accepted by customers. Such products and other new products to be developed in the future will have a good prospect in the market and a general favourable return on investment.
8. Upon approval by the Board of Directors, the Company, 中國聯通四川省公司 and 成都高新區互聯網信息中心 had jointly set up an integrated wideband information network system in Hi-Tech Zone, Chengdu. The registered capital of the project amounted to RMB5,000,000 and the Company's investment in the project amounted to RMB1,500,000. The project has commenced operation. This arrangement represents a new attempt of the Company to expand its business and will bring a new foundation of profit growth to the Company.
9. In order to strengthen the management of investments and joint venture companies and ensure investment return, the Company established investment management department during the Year. By a series of research and investigation, the department provided various valuable advice to different joint venture companies according to their individual situations. Following the advice and upon the approval of the Board of Directors, the Company transferred its entire 20% equity interests in Ningbo Pacific CDC Cable Company Limited to 亞洲太平洋電線電纜有限公司 of Taiwan and liquidated and dissolved 深圳金郵通訊設備有限公司.

Business Outlook

2001 is the first year for China to implement the Tenth Five-Year Plan in the new century. It is also a critical year for the Company to make a good start to realise the two-phase development of "modification and expansion". Following China's imminent entry into World Trade Organisation and the gradual implementation of the massive western China development strategy, the Company will grasp this historical opportunity and insist on concept, mechanism and technology innovation. In addition, the Company will endeavour to solve any unfavourable factors so as to fulfil its operating goals. The Company will implement the following measures:

1. To further strengthen the concept of market operation, consolidate and improve its existing sales and marketing network and its new sales and marketing mechanism. The Company will enhance the capability of sales staff to work independently, endeavour to develop the markets for both new and existing products, increase its market share and speed up the recovery of accounts receivable by fully utilising the opportunity arises from market transformation.

2. To strengthen management and enhance the level of standardised operations. The Company will strengthen fundamental corporate management and various professional management practices with a focus on capital and cost management. The Company will also endeavour to find new sources of income, increase revenue, reduce costs, close any loopholes, reduce consumption and enhance efficiency.
3. To properly implement the capacity expansion projects in respect of telephone exchange system cables, television cables, No. 5 cables and optical fibres. By way of self-development, introduction from overseas or joint venture arrangement, the Company will speed up the development of new products which have good market prospects so that the new products can sooner become a reliable source of the Company's income.
4. To take full advantage of being a listed company. The Company will further develop the capital market and strengthen the utilisation of capital resources in order to enhance the competitiveness of the Company.
5. To further strengthen the function of investment management department. The Company will review its relationship with its associates with the focus on strengthening management, expanding the market and improving effectiveness so that its associates with good prospects can expand their operations to the greatest extent and maintain their leading positions in the market. Enterprises with no prospect will be disposed of in order to reduce the burden of the Company. The Company will develop new investment projects which may become a new foundation of the Company's profit growth.

The Board of Directors is optimistic about the Company's business prospects. By comprehensive market researches, careful studies and elaborate planning, the Company will grow steadily and bring further benefits to the its shareholders.



Kuo Aiching

Deputy Managing Director and General Manager

18 April 2001